

VIETNAM

Market Overview

USDA's Agricultural Trade Office (ATO) in Hanoi and in Ho Chi Minh City, hereinafter referred to as "Post," reports Vietnam as the United States' 9th largest agricultural export market. Vietnam imported US\$3.94 billion of food and agricultural products from the United States in 2022, a growth of 5% from 2013-2022. The top 10 U.S. products exports to Vietnam in 2022 were cotton, soybeans, distiller's grains, forest products, dairy products, other feed meals and fodders, tree nuts, soybean meal, poultry meats and products, and fresh fruits. Vietnam is a country full of potential and opportunity for U.S. food and agricultural exporters.

Vietnam's demand for high-value consumer-oriented and seafood products has rebounded thanks to record high domestic tourist arrivals. Growth of the modern food retail, e-commerce, hotel, restaurant, and institution (HRI), and food processing sectors continue to offer opportunities for imported food products, including those from the United States. Vietnam's continued global economic integration generally allows more openings for foreign products and better alignment with international standards. Local food processors continue to increase production capacity and improve product quality by using quality ingredients to meet both local and international market demand. Growth in convenience food stores, full-service restaurants, convention and wedding centers, and fast-food chains creates opportunities for quality food and food ingredients. Food safety concerns boost demand for imported food products, especially from developed countries. The Vietnamese economy recovered in 2022 from the pandemic, with a growth rate of 8.02%, the fastest pace in 15 years and higher than the government's target of 6.0% to 6.5%.

In 2022, Vietnam was the 9th largest export destination for U.S. products, with exports totaling nearly US\$3.5 billion, a 3% increase over 2021. The United States is Vietnam's second largest supplier of agricultural goods, generally representing around 12% of the total import market. For many years, cotton has been the top U.S. product exported to Vietnam by a wide margin, remaining so in 2022 despite a decline from 2021. The largest year-to-year export increase was seen in soybean meal, at US\$104 million, a 149% increase over 2021. Exports of corn, dairy products, and distillers' grains also performed well, increasing by US\$97 million, US\$95 million, and US\$77 million, respectively. Commodities showing declines in 2022 included cotton, down US\$135 million, and fresh fruit, down US\$35 million. Vietnam was the 2nd largest export destination for U.S. cotton and distillers' grains, 10th largest for soybeans, and 8th largest for dairy products.

Market Opportunities and Challenges for U.S. Exporters in Vietnam

Opportunities:

- Vietnam is a top five largest economy in Southeast Asia, the most interconnected trading nation globally.
- Rapid urbanization provides high efficiency and convenience.
- Growing modern retail chains are looking for new imported food products.
- Since the COVID-19 pandemic, consumers are more health conscious; some are willing to pay high prices for products to protect their health benefits.

- U.S. products are perceived as safe and of premium quality.
- Growing numbers of fast-food and casual dining restaurants give more opportunities for U.S. exporters.

Challenges:

- High import tax is a challenge for some U.S. food products. U.S. consumer-oriented seafood products have become less competitive than those imported from ASEAN members and Vietnam's FTA partners due to higher tariffs.
- Technical barriers to trade, sanitary and phytosanitary issues, and high tariffs limit imports of U.S. consumer-oriented products.
- Vietnam remains a price-sensitive market where most consumers pay close attention not only to quality but to prices as well.

Retail Sector

According to The Investors, Vietnam's retail sales of goods and services expanded 19.8% in 2022 to almost US\$240 billion. The value is 15% higher than that in pre-pandemic 2019, according to the General Statistics Office. Sales in December rose 17.1% from a year earlier. Localities enjoying stronger growth rates in revenue include Ho Chi Minh City (26.4%), Danang (14.7%), Can Tho (14.2%), Dong Nai (13.7%), Quang Ninh (12.1%), Hanoi (12%), and Hai Phong (10.4%).

Post reports the Vietnam retail food sector experienced unprecedented disruptions in 2021 due to COVID-19. Strict measures to control the disease, combined with consumer fears, severely struck Vietnam's retail food channels, especially wet markets and individual grocers. Vietnam's retail sales totaled approximately \$172 billion, marginally up 0.2% over 2020, according to GSO. E-commerce surged in importance with sales at approximately US\$13 billion, up 16% over 2020.

Top product prospects include pork meat, fresh produce, poultry, seafood, milk and dairy products, condiments, and sauces.

Foodservice Sector

According to Post, Vietnam's HRI market continued to be hit hard by the COVID-19 pandemic, resulting in a 21% decline in revenue from US\$20.7 billion in 2020 to US\$16.3 billion in 2022. Despite the challenges of 2022, exports of U.S. consumer-oriented products to Vietnam still increased by 8%. Post expects the sector to see a strong rebound over the next few years, cementing Vietnam as an attractive export market for U.S. consumer-oriented and agricultural products.

Vietnam remained one of the top 20 largest markets for U.S. exports of consumer-oriented products. The United States continued to be the second largest exporter of consumer-oriented products to Vietnam, with sales of consumer-oriented products to Vietnam rising by 8% from US\$928 million in 2020 to over US\$1 billion in 2021.

Top product prospects include dairy products, tree nuts, soup and other food preparations, poultry meat and products (excluding eggs), fresh fruits, chocolate and cocoa products, and non-alcoholic beverages. These categories accounted for about 88% of the total export value of U.S. consumer-oriented products to Vietnam in 2022.

Food Processing Sector

Post reports Vietnam's food processing sector was hit by COVID-19 restrictions, but the food processing and manufacturing sector still grew by 2.9% in 2022 versus 2021. The food retail segment grew at 10.6%; however, the food service industry shrunk by 19.3%. Post reports food processors in Vietnam use both locally produced raw materials and imported food ingredients in their operations. Large processors tend to directly import specific ingredients, such as wheat flour, milk powder, and malt. Processors usually purchase minor ingredients, additives, flavors, or preservatives through importers or distributors.

Top product prospects include tree nuts, minced pork, dairy products, other edible bovine products, processed fruits, peanuts, wheat, soybeans, and potatoes.